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Delta Power, Morgan Stanley Fund Set To Buy Brooklyn Navy Yard

--Nina Sovich

Edison Mission Energy is set to sell its 50% interest in the 315 MW Brooklyn Navy Yard Cogeneration Plant to Delta Power and its private equity backer, Morgan Stanley Dean Witter Capital Investors. Dean Vanech, president of Delta Power in Morristown, N.J., says he expects the deal to close next month, pending approval from the Federal Energy Regulatory Commission. A former bidder estimates the likely price tag will be some \$650 million, including the assumption of roughly \$600 million in debt. Vanech declined comment on this point and Kevin Kelley, spokesman at EME's parent, Edison International, also declined to comment.

Vanech says the power and steam plant's attractions include its strategic location across the East River from downtown Manhattan and its 32-year electricity offtake contract with local utility Consolidated Edison Co. of New York. He adds the plant's preferential regulatory status as a qualifying facility makes it "simply irresistible."

A downside to the plant is that it requires significant capital expenditure, including the addition of new steam tubes, which can cost upwards of \$12 million, says the former bidder. "It's a headache," he notes.

But Vanech explains that Delta Power, which owns an interest in 19 U.S. plants and opened an operations and maintenance division last year, is well placed to rectify the plant's ills. "We have some in-house talent that can deal with these things," he says. "Our plans are to improve the plant where possible, including reliability, output and efficiency...we found a great balance between risk and reward here in New York," he says.

Delta Power, a privately held company, will take operational control of the Brooklyn plant, says Vanech, adding Delta does not plan to buy out the 50% stake held by B-41 Associates, a partnership of York Research, a power development company based in Harrison, N.Y., and Robert Beningson, a private investor. Delta is thought to have little incentive to attempt to buy out B-41 because the existing ownership structure gives Edison management control, and the other partners are paid a nominal yearly fee. Calls to York Research were not returned.

Credit Suisse First Boston is brokering the deal between Delta and Edison.